



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

OFFICE OF ENVIRONMENTAL HEALTH
HAZARD ASSESSMENT
Received

SEP 23 2008

September 19, 2008

Sacramento

Ms. Joan Denton, Director
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

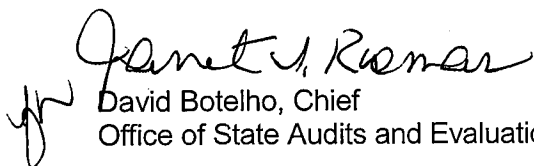
Dear Ms. Denton:

We have received your Financial Integrity and State Manager's Accountability Act (FISMA) report for the two-year period ended December 2007. Your compliance with the reporting requirements of FISMA (Government Codes 13400 through 13407) demonstrates your department's commitment to improving government accountability and transparency.

Department of Finance, Office of State Audits and Evaluations (Finance), staff will be contacting selected departments to discuss the methodology for performing the review and the ongoing activities related to FISMA. Recognizing that state managers are continually engaged in risk assessment, the biennial FISMA reports should reflect the totality of those activities and processes.

If you have any questions please contact us at fismahotline@dof.ca.gov. For additional guidance, please visit our website at <http://www.dof.ca.gov/osae/>.

Sincerely,


David Botelho, Chief
Office of State Audits and Evaluations

Office of Environmental Health Hazard Assessment



Linda S. Adams
Secretary for Environmental Protection

Joan E. Denton, Ph.D., Director
Headquarters • 1001 I Street • Sacramento, California 95814
Mailing Address: P.O. Box 4010 • Sacramento, California 95812-4010
Oakland Office • Mailing Address: 1515 Clay Street, 16th Floor • Oakland, California 94612



Arnold Schwarzenegger
Governor

MEMORANDUM

TO: Michael C. Genest
Director of Finance
Department of Finance
915 L Street, 9th Floor
Sacramento, CA 95814

VIA: Linda Adams, Secretary
California Environmental Protection Agency

FROM: Joan E. Denton, Ph.D., Director
Office of Environmental Health Hazard Assessment

DATE: June 2, 2008

SUBJECT: REVIEW OF THE SYSTEMS OF INTERNAL CONTROL

In accordance with the Financial Integrity and State Managers Accountability Act of 1983, Government Code Sections 13400 through 13407, I am submitting the attached report describing the internal review and risk assessment of critical programmatic and business functions for the biennial period ended December 2007.

Attached is the status of previous audit findings as well as a section on current identified issues/risks. The current issues/risks section was developed through various meetings with OEHHA's management team focusing on concerns, issues and significant risks the department is facing, or will be facing in the very near future.

If you have any questions regarding this report, please contact Margie Leary, Deputy Director for Administration at (916) 327-8044.

Enclosure(s)

California Environmental Protection Agency

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption.

♻️ Printed on Recycled Paper

Executive Summary

The Office of Environmental Health Hazard Assessment's (OEHHA) principal objective is to protect and enhance public health and the environment by objective scientific evaluation of the risks posed by hazardous substances. OEHHA performs risk assessments for various programs under the California Environmental Protection Agency, as well as other state and local agencies. OEHHA provides these agencies and programs with the scientific tools and information upon which to base risk management decisions. Distinct programs within OEHHA focus on assessing health risks from exposure to chemicals in air, water, food, consumer products, hazardous and municipal waste facilities, fish and shellfish, and sediments in bay and estuarine waters.

As required by Government Code Section 13405 all state agencies are to conduct a review of their systems of internal control and prepare a report every two years. OEHHA Executive staff and managers performed this review and prepared a report to meet the requirements of GC Section 13405 during December 2007 and January 2008. The risks/issues and related recommendations contained in the report do not necessarily identify control deficiencies, but rather are enhancements to activities designed to achieve OEHHA's mission and goals.

Executive Office:

The Executive Office is the top management office and is representative of the Department as a whole. This Office is responsible for addressing the overall operating needs of the organization. The Executive Office discussions were with the following staff:

- Director
- Chief Deputy Director
- Deputy Director of Scientific Affairs
- Deputy Director of Administrative Services
- Deputy Director of External Affairs
- Chief Legal Counsel
- Branch Chiefs

Discussions were held with the above identified management staff, to identify the most significant issues/risks that currently, or will in the very near future, impact OEHHA's ability to meet our mandated activities and maintain our scientific standing within and outside California. The following issues/risks were identified not necessarily as control deficiencies, but issues/risks that could negatively impact OEHHA's ability to effectively and efficiently achieve the Department's mission and goals:

ISSUES AND RECOMMENDATIONS

The issues/risks and related recommendations do not necessarily constitute control deficiencies, but rather are enhancements to activities designed to achieve OEHHA's mission and goals.

Issue #1: Recruitment

The California Environmental Protection Agency (Cal/EPA) is widely regarded as a world leader in environmental protection. State toxicologists working for OEHHA are essential to California's environmental protection programs. OEHHA toxicologists provide the scientific foundation for many toxic chemical regulations promulgated by Cal/EPA and the Department of Public Health. OEHHA toxicologists are trained to provide the most up-to-date scientific information to ensure that regulatory standards adequately protect the public from chemical exposures that may cause cancer, birth defects, asthma, neurological damage, immunological diseases and other tissue disorders. Most of OEHHA's work is available as staff reports or scientific publications that describe the nature and extent of health impacts from environmental exposure to chemicals. In addition, many OEHHA toxicologists serve on advisory boards for the U.S. Environmental Protection Agency and other agencies. The information provided by OEHHA toxicologists is essential for making decisions regarding all chemical policies and regulations by Cal/EPA Boards, Departments and Office and is used by other agencies in the United States and worldwide.

OEHHA is experiencing difficulty recruiting scientists, especially toxicologists, due most specifically to non-competitive salaries when compared with the Federal government and extremely high prerequisites for admittance into examinations for, and appointment to, the Toxicologist series. OEHHA administers their examinations via supplemental application and on a continuous basis for Associate and Staff Toxicologist classifications.

OEHHA supervisors are also dealing with Government Code 12439, which defines that any State position that is vacant for six consecutive monthly pay periods shall be abolished by the State Controller's Office on the following July 1. This problem will become much worse in the near future when a large proportion of our toxicologists retire.

OEHHA employs the majority of toxicologists used in State service.

Risk:

If OEHHA fails to address recruitment shortcomings, we will be faced with mass retirement of staff (see Issue #2), inability to recruit new staff, leading to increased health risks for Californians, loss of regulatory-generating information that we provide to other agencies, and loss of scientific standing within and outside California.

While the toxicologist classifications are not the only classes used in OEHHA, they comprise the majority of OEHHA's scientific staff and reflect an accurate representation of succession issues facing OEHHA. Currently, the median age for toxicologists in OEHHA is 54. Further, California has the potential to lose 40% of its toxicologist workforce within the next five years assuming they are fully vested and retire at age of 60.

Risk:

If OEHHA fails to address succession issues, which are heavily reliant on our recruitment base and underlying recruitment issues, we will be faced with mass retirement of staff, inability to recruit new staff, increased health risks for Californians, loss of regulatory-generating information that we provide to other agencies, and loss of scientific standing within and outside California.

Recommendation:

OEHHA has begun implementing a succession plan, which consists of reviewing our Strategic Plan, increasing our efforts to recruit qualified individuals, enhancing our abilities to retain staff, and focusing on training/mentoring existing staff. We are also investigating entering into a contract with an outside consultant to update our Strategic Plan.

Next, as stated above, as part of OEHHA's recruitment efforts, we have begun a series of seminars with UC Davis, to let students and faculty know the type of work we do so that they can consider government as a career option. Finally, OEHHA will encourage training and development of staff, either by continuing education or assigned work, into supervisory and alternate scientific specialties by identifying skill sets and posting curriculum vitae on our intranet.

OEHHA has also approved alternate schedules, such as partial service retirement and reduced time-bases, to allow staff with institutional knowledge to share their knowledge with new staff members, while assisting us with our day-to-day needs.

Issue #3: New Science

OEHHA's core work involves identifying and evaluating health hazards from exposure to chemicals in the environment. Our staff scientists evaluate available studies published in the toxicological, epidemiological, and medical journals, as well as in journals which publish studies on ecological risks. The science of toxicology, which has always been multidisciplinary, is expanding even further and evolving rapidly.

The National Academy of Sciences recently issued a report entitled "Toxicity Testing in the Twenty-first Century: A Vision and a Strategy." The Executive Summary of the report notes that toxicity testing is at a historical pivot point, taking advantage of

risk of chemicals. Reliance on new science is even more important for industrial chemicals which typically have the least amount of standard toxicology testing available.

If the assessment of risk is inadequate due to insufficiently trained scientists, our resulting regulatory efforts will be inadequate, thus increasing the risk to the people of the state of California, who will not be assured adequate protection from pollutants in the air, water, soil, and food.

Finally, low salaries and high cost of living affect our ability to recruit new scientists, which makes the recruitment and training of staff more difficult.

Recommendation:

Acquire additional funding and resources, either through Budget Change Proposals or grants, in order to:

Train existing staff so that a fuller understanding of the adverse impacts of environmental chemicals is brought to bear in our risk assessments and identification of hazards in the environment.

As part of training, scientists need to be allowed to attend scientific meetings out of state. Funding is available to allow a limited number of our scientists to attend a limited number of conferences and workshops; however, the available funding is not nearly enough. Scientific conferences are fundamental to scientists training and ability to keep up with the latest science. For OEHHA scientists, pertinent conferences and workshops include those presented or sponsored by the Society of Toxicology, American Thoracic Society, Environmental Mutagen Society, and the US EPA. Due to the specialized nature of many meetings, they are often held in a single location in the U.S. with attendees traveling to the meeting. Further, many of the conferences are sponsored by the US EPA and are therefore held in Washington D.C. or at Research Triangle Park, NC.

OEHHA has several staff signed up for a US EPA sponsored training in use of software for Structure Activity Relationship modeling. This training will focus on software currently used by US EPA to evaluate potential for toxicity for chemicals with little or no data, software to help determine the fate of chemicals released into the environment, and software that helps assess the ecotoxicity of chemicals. Improvements in this type of software are under development by several organizations. OEHHA will seek other training in the area of computational toxicology, but it should be noted that such training is very expensive and is usually held outside of California.

OEHHA must also get more in-house training. Some expanding areas, such as computational toxicology, are more amenable to this than others. OEHHA should be provided resources to attend trainings in quantitative structure-activity modeling, which is currently used by the US EPA and scientists in European regulatory agencies to identify hazardous substances based on their similarity with other known hazardous chemicals.

form or bringing scientists here for interactive communication on key questions relevant to OEHHA's core work of assessing risk of chemicals in our environment. Resources are needed for such an undertaking.

PRIOR FINDINGS STATUS SUMMARY

The Department of Finance, Office of State Audits and Evaluations (Finance) conducted an internal control review of the Office of Environmental Health Hazard Assessment in 2005. The results of that review were included in a report issued June 2005 (attached). The June 2005 report noted several areas where controls were working as intended. The report also identified areas where controls could be improved. The following table identifies the findings and the status associated with each finding:

Finding	Status
Internal Property Controls	Resolved
Inadequate Controls Over Cash Receipts	Resolved
Inadequate Safeguards Over Blank Check Stock	Resolved
Bank Reconciliation Procedures Need Improvement	Resolved
Lack of Accountability over the (Petty) Cash Change Fund	Resolved
Federal and State General Fund Financial Reports are Not Timely	Resolved
No Supervisory Approval of Separation Payroll Warrant Calculations	Resolved

To ensure our understanding of the Department's control environment, the Deputy Director for Administration and the appropriate managers reviewed the findings identified in the 2005 report (enclosed), and verified all findings/weaknesses have been rectified and implemented.